

Message Text

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TO AMEMBASSY BONN

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C O N F I D E N T I A L STATE 149044

LIMDIS

FOLLOWING REPEAT STATE 149044 ACTION EC BRUSSELS JULY 10, 1974

QUOTE C O N F I D E N T I A L STATE 149044

LIMDIS

E.O.11652: GDS

TAGS: ETRD, EEC

SUBJECT: COUNTERVAILING DUTIES ON EC DAIRY PRODUCTS

REF: EC BRUSSELS 5057

1. MISSION SHOULD MAKE FOLLOWING POINTS TO APPROPRIATE

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EC OFFICIALS IN SAME MANNER IN WHICH THEY ADDRESSED THEIR

PROPOSAL TO US:

(I) USG APPRECIATES THE EFFORTS OF THE EC COMMISSION TO HELP FIND A SOLUTION TO THE MUTUAL PROBLEM WE FACE WITH REGARD TO SUBSIDIZATION OF EC DAIRY EXPORTS AND RESULTING COUNTERVAILING DUTY INVESTIGATION.

(II) IN VIEW OF FACT THAT SUSPENSION OF REFUNDS BY THE EC WOULD BE TEMPORARY, TREASURY IS ADVISED BY ITS ATTORNEYS THAT PERMANENT DISMISSAL OF DISTRICT COURT CASE IS UNOBTAINABLE; NEVERTHELESS, ATTORNEYS BELIEVE A TEMPORARY STAY OF THE ACTION FOR THE SAME PERIOD DURING WHICH THE SUBSIDIES ARE SUSPENDED HAS A POSSIBLE CHANCE OF SUCCESS, ALTHOUGH WE CANNOT PREDICT HOW COURT WILL REACT.

(III) IF SUSPENSION IS ORDERED BY EC ON SUBSIDIES OF DAIRY PRODUCTS DESCRIBED IN DISTRICT COURT COMPLAINT, TREASURY WILL IMMEDIATELY APPLY TO DISTRICT COURT FOR STAY (THAT IS, SUSPENSION) OF ANY FURTHER ACTION OR ORDER BY DISTRICT COURT FOR THE SAME PERIOD OF EC SUSPENSION OF SUBSIDIES.

(IV) ASSUMING THAT SUCH STAY IS GRANTED BY DISTRICT COURT, TREASURY WILL NEITHER ISSUE NOR PUBLISH COUNTERVAILING DUTY PROCEEDING NOTICE SO LONG AS STAY AND EC SUSPENSION OF SUBSIDIES REMAIN IN EFFECT. THUS, FORMAL

INVESTIGATION WOULD NOT BE COMMENCED BY TREASURY.

(V) YOU SHOULD ALSO NOTE TO EC COMMISSION THAT TREASURY'S ABILITY TO SUCCEED IN ITS MOTION TO STAY MAY DEPEND ON LEVEL OF PRE-FIXATION ARRANGEMENTS. ACCORDINGLY WE WILL NEED ASAP FURTHER INFORMATION ON SUCH ASPECTS AS: AMOUNT OF COMMITMENTS OUTSTANDING; HOW QUICKLY THEY ARE LIKELY TO BE EXERCISED; WHAT HAS BEEN PATTERN OF GEOGRAPHIC DESTINATION FOR PRODUCTS EXPORTED UNDER THESE ARRANGEMENTS.

(VI) RE PARA 1B(III), IN VIEW OF INTEREST EXPRESSED IN EC DAIRY SUBSIDIES BY NUMEROUS MEMBERS OF THE CONGRESS, USG BELIEVES THAT ANY COMMITMENT TO EXERCISE DISCRETION

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IN FAVOR OF EC DAIRY PRODUCTS WILL RESULT IN REMOVAL OF DISCRETIONARY CLAUSE FROM TRADE REFORM ACT.

(VII) USG STRONGLY RECOMMENDS THAT, IN EVENT SUBSIDIES ARE SUSPENDED AND COURT STAY GRANTED, DISCUSSIONS START ON REVIEW AND CONSIDERATION OF POSSIBLE SOLUTIONS TO PROBLEMS OF TRADE DISTORTING MEASURES IN DAIRY SECTOR OF MOST SERIOUS CONCERN TO BOTH SIDES. USG WOULD MAKE APPROPRIATE

OFFICIALS AVAILABLE AT EARLIEST COMMUNITY OPPORTUNITY.
(FOR EXAMPLE AFTER JULY 17-18 TNC MEETING WHICH MALMGREN
WILL ATTEND). PASSAGE OF TRADE REFORM ACT DURING PERIOD
OF SUSPENSION MIGHT, OF COURSE, ASSIST A SUCCESSFUL
RESULT OF DISCUSSIONS. UNQUOTE KISSINGER

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